

**Kerr Tar Council of Governments
Henderson, North Carolina
Financial Statements
For the Year Ended June 30, 2023**

**Kerr Tar Council of Governments
Table of Contents
June 30, 2023**

Exhibit

Financial Section:

Independent Auditor's Report	1-4
Management's Discussion and Analysis	5-9

Basic Financial Statements:

Government-wide Financial Statements:

1	Statement of Net Position	10
2	Statement of Activities	11

Fund Financial Statements:

3	Balance Sheet -- Governmental Funds Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	13
4 cont.	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	14
5	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Annual Budget and Actual -- General Fund	15
6	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Annual Budget and Actual -- Aging Fund	16
7	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Annual Budget and Actual -- Workforce Innovation and Opportunity Act Fund	17
8	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Annual Budget and Actual -- Revolving Loan Fund	18
9	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Annual Budget and Actual -- Cares Revolving Loan Fund	19

Notes to Financial Statements		20-35
--------------------------------------	--	-------

Required Supplemental Financial Data:

Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees’ Retirement System	36
Schedule of Contributions – Local Government Employees’ Retirement System	37
Schedule of Changes in the Total OPEB Liability and Related Ratios	38
Schedule of Council Contributions	39
Individual Fund Statements and Schedules:	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Micro - Enterprise Loan Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revolving Loan Fund	43
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - PIVOT Loan Fund	44
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Schedule of Indirect Expenses and Program Expense Allocation	45
Compliance Section:	
Report on Internal Control Over Financial Reporting And on Compliance & Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46-47
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; In Accordance with OMB Uniform Guidance; and the Single Audit Implementation Act	48-50
Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; In Accordance with OMB Uniform Guidance; and the Single Audit Implementation Act	51-53
Schedule of Findings and Questioned Costs	54-56
Corrective Action Plan	57
Summary Schedule of Prior Year Audit Findings	58
Schedule of Expenditures of Federal and State Awards	59-61

FINANCIAL SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

Independent Auditor's Report

To the Board of Directors
Kerr-Tar Council of Governments
Henderson, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Kerr-Tar Council of Governments' as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Kerr-Tar Council of Governments' basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kerr-Tar Council of Governments as of June 30, 2023, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, Aging Fund, Workforce Innovation and Opportunity Act Fund, Revolving Loan Fund, and Cares Revolving Loan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kerr-Tar Council of Governments' and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Region K Community Assistance Corporation were not audited in accordance with *Governmental Auditing Standards*.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Kerr-Tar Council of Governments' ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kerr-Tar Council of Governments internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kerr-Tar Council of Governments ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Other Post Employment Benefit the Local Government Employees' Retirement System Schedules of the Council's Proportionate Share of Net Pension Liability and Council Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the of Kerr-Tar Council of Governments basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of the Kerr-Tar Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kerr-Tar Council of Governments' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kerr-Tar Council of Governments' internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

November 2, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Kerr-Tar Regional Council of Governments, we offer readers of the Kerr-Tar Regional Council of Governments' financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

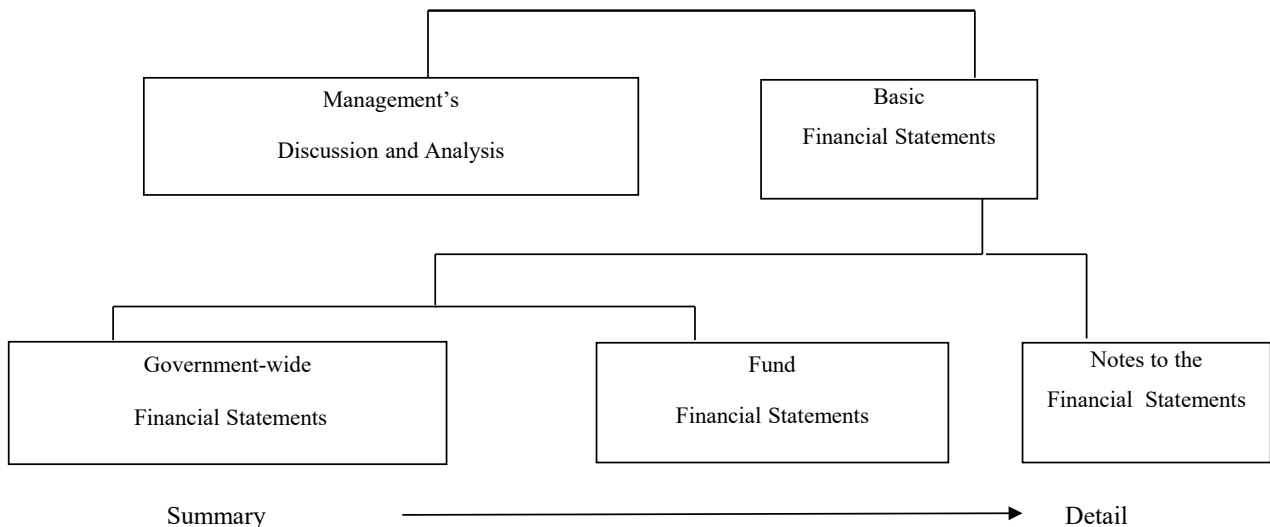
- The assets and deferred outflows of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,286,951 (net position). The Council's total net position decreased by \$182,435 in comparison with the prior year.
- At the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$2,940,510, an increase of \$60,932 in comparison with the prior year combined ending fund balance of \$2,879,578. This entire amount is restricted, non-spendable, assigned, or unassigned.
- The Council's total long-term debt, which consists of accrued liability for other post-employment benefits of \$1,305,465, net pension liability (LGERS) of \$729,437, accrued annual leave of \$45,588, and lease liability of \$129,960.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Council's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Council's finances through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Council.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Council's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and the 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information (RSI)**. This section contains funding information about the Council pension plans. After the RSI, **supplemental information** is provided to show additional details about the Council's activities. Budgetary information required by the General Statutes can also be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Council's financial status as a whole.

The two government-wide statements report the Council's net position and how it has changed. Net position is the difference between the Council's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Council's financial condition.

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities and 2) component unit. The governmental activities include all of the Council's basic services such as general administration, economic and community development, human services, environmental protection, and transportation planning services. State and federal grants and contributions from regional non-profits, supporting entities, and local governments comprising the service area of the council finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Council's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Kerr-Tar Regional Council of Governments, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the Council's budget ordinance. All of the funds of the Kerr-Tar Regional Council of Governments can be divided into one category: governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Council's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resource focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Council's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Council adopts an annual budget for its General Fund and each separate special revenue fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, the management of the Council, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 9 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Council's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Government-Wide Financial Analysis

Kerr-Tar Regional Council of Governments' Net Position
Figure 2

	Activities	
	2023	2022
Current and other assets	\$ 4,018,965	\$ 4,077,899
Deferred outflows of resources	814,634	841,308
Total assets and deferred outflows of resources	4,833,599	4,919,207
Long-term liabilities outstanding	2,108,485	1,776,545
Other liabilities	1,051,016	1,061,714
Deferred inflows of resources	387,147	611,562
Total liabilities and deferred inflows of resources	3,546,648	3,449,821
Net position:		
Net investment in capital assets	(556)	(358)
Restricted	1,792,634	2,308,631
Unrestricted	(505,127)	(838,887)
Total net position	\$ 1,286,951	\$ 1,469,386

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$1,286,951 as of June 30, 2023. The Council's total net position decreased by \$182,435 in comparison with the prior year. Of the net position, \$1,792,634 represents resources that are subject to external legal restrictions on how they may be used. Restrictions include Stabilization by State Statute as dictated by North Carolina General Statutes and unspent grants or other revenues with restrictive purposes. The Council's capital assets (office and computer equipment and software) is \$0 as all assets are fully depreciated. The Council uses these capital assets to provide services to constituent local government members; consequently, these assets are not available for future spending.

Kerr-Tar Regional Council of Governments'
Changes in Net Position
Figure 3

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for Services	\$ 422,491	\$ 488,159
Operating grants and contributions	5,382,821	5,951,576
General revenues:		
Local government	119,618	132,257
Unrestricted investment earnings	24,740	9,514
Miscellaneous	31,242	31,356
Total revenues	5,980,912	6,612,862
Expenses:		
General government	302,567	64,235
Transportation	414,399	449,646
Economic & physical development	769,597	835,056
Human services	3,196,789	3,332,312
Workforce development	1,479,995	1,641,039
Total expenses	6,163,347	6,322,288
Increase (decrease) in net position	(182,435)	290,574
Net position beginning	1,469,386	1,178,812
Net position, ending	\$ 1,286,951	\$ 1,469,386

Governmental activities: Governmental activities decreased the Council's net position by \$182,435.

The Council's revenues were \$5,980,912. Ninety percent of the Council's revenues come from federal and State revenues.

The Council's expenditures were \$6,163,347. Fifty-two percent of the Council's expenditures were related to Human Services program, twenty-four percent of expenses were workforce development program related.

Financial Analysis of the Council's Funds

As noted earlier, the Kerr-Tar Regional Council of Governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the operating fund of the Council. At the end of the fiscal year, the General Fund unassigned fund balance was \$411,246 while total fund balance was \$779,066. As of June 30, 2023, total fund balance was 31% of total General Fund expenditures for the year.

At June 30, 2023, the combined fund balance of the governmental funds of the council increased by \$60,932 over the prior year.

General Fund Budgetary Highlights - During the fiscal year, the Council revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Capital Asset and Debt Administration

Capital assets. The Council's capital assets for its governmental activities as of June 30, 2023, totals \$0.00 (net of accumulated depreciation). These assets include furniture, fixtures, and equipment and are substantially depreciated. This amount is small because the Council does not own the bulk of its facilities, but operates under operating leases which call for payments of rent.

Additional information on the Council's capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. The Council's long-term debt consisted of the following for its governmental activities as of June 30, 2023: an OPEB obligation of \$1,305,465, Net Pension liability-LGERS of \$729,437, and lease liability of \$129,960 for a total of \$2,164,862.

Kerr-Tar Regional Council of Governments' Outstanding Debt
Figure 5

	Governmental Activities	
	2023	2022
OPEB liability	\$ 1,305,465	\$ 1,409,407
Net pension liability (LGERS)	729,437	180,964
Lease liability	129,960	186,174
Total	<u>\$ 2,164,862</u>	<u>\$ 1,776,545</u>

Additional information regarding the Kerr-Tar Regional Council of Governments' long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The governmental activities of the Council make up the largest percentage of both revenues and expenditures. The council conducts its administration of the government programs primarily within the indirect cost budget of the government programs it monitors and administers.

The proposed budget for the coming fiscal year calls for funded expenditures of approximately \$3.7 million. The change in the proposed budget over the current year is attributable to an expected increase in grant funding.

Request for Information

This report is designed to provide an overview of the Council's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Finance Officer
Kerr-Tax Regional Council of Governments
P.O. Box 709
1724 Graham A venue
Henderson, NC 27536

BASIC FINANCIAL STATEMENTS

Kerr Tar Council of Governments
Statement of Net Position
June 30, 2023

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Total</u>	<u>Region K Community Assistance Corporation</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,093,394	\$ 2,093,394	\$ 445,355
Restricted cash	2,700	2,700	-
Accounts receivable	942,871	942,871	92,825
Notes receivable, net of allowance for bad debts	849,763	849,763	-
Prepays	833	833	6,583
Total Current Assets	<u>3,889,561</u>	<u>3,889,561</u>	<u>544,763</u>
Non-Current Assets:			
Right to use leased assets, net of amortization	129,404	129,404	-
Capital assets:			
Other capital assets, net of depreciation	-	-	55,412
Total capital assets	<u>-</u>	<u>-</u>	<u>55,412</u>
Total assets	<u>4,018,965</u>	<u>4,018,965</u>	<u>600,175</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>814,634</u>	<u>814,634</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	617,813	617,813	26,927
Unearned revenues	327,538	327,538	22,934
Compensated absences	45,588	45,588	7,727
Current portion of long-term debt	56,377	56,377	-
Liabilities payable from restricted assets:			
Security deposits	3,700	3,700	-
Long-term liabilities:			
Lease liability	73,583	73,583	-
Net pension liability	729,437	729,437	-
Net OPEB liability	1,305,465	1,305,465	-
Total liabilities	<u>3,159,501</u>	<u>3,159,501</u>	<u>57,588</u>
DEFERRED INFLOWS OF RESOURCES	<u>387,147</u>	<u>387,147</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	(556)	(556)	55,412
Restricted for:			
Stabilization by State Statute	942,871	942,871	-
Revolving loan	849,763	849,763	-
Unrestricted (deficit)	(505,127)	(505,127)	487,175
Total net position	<u>\$ 1,286,951</u>	<u>\$ 1,286,951</u>	<u>\$ 542,587</u>

The notes to the financial statements are an integral part of this statement.

Kerr Tar Council of Governments
 Statement of Activities
 For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government		Region K Community Assistance Corporation
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Total	
Primary government:						
Governmental Activities:						
General government	\$ 302,567	\$ 147,122	\$ -	\$ (155,445)	\$ (155,445)	\$ -
Transportation	414,399	-	299,046	(115,353)	(115,353)	-
Economic and physical development	769,597	275,369	717,709	223,481	223,481	-
Human services	3,196,789	-	3,110,074	(86,715)	(86,715)	-
Workforce development	1,479,995	-	1,255,992	(224,003)	(224,003)	-
	<u>\$ 6,163,347</u>	<u>\$ 422,491</u>	<u>\$ 5,382,821</u>	<u>(358,035)</u>	<u>(358,035)</u>	<u>-</u>
Component unit:						
Region K Community Assistance Corporation	\$ 491,512	\$ 25,194	\$ 482,201	-	-	15,883
Total component unit	<u>\$ 491,512</u>	<u>\$ 25,194</u>	<u>\$ 482,201</u>	<u>-</u>	<u>-</u>	<u>15,883</u>
General revenues:						
Local government				119,618	119,618	-
Unrestricted investment earnings				24,740	24,740	-
Miscellaneous				31,242	31,242	-
Total general revenues				<u>175,600</u>	<u>175,600</u>	<u>-</u>
Change in net position				(182,435)	(182,435)	15,883
Net position Beginning of Year				<u>1,469,386</u>	<u>1,469,386</u>	<u>526,704</u>
Net position, ending				<u>\$ 1,286,951</u>	<u>\$ 1,286,951</u>	<u>\$ 542,587</u>

The notes to the financial statements are an integral part of this statement.

Kerr Tar Council of Governments
Balance Sheet
Governmental Funds
June 30, 2023

	Major Fund					Non-Major Funds	Total Governmental Fund
	General	Aging	Workforce Innovation and Opportunity Act	Revolving Loan	Cares Revolving Loan		
ASSETS							
Cash and cash equivalents	\$ 782,162	\$ -	\$ -	\$ 1,036,364	\$ 178,586	\$ 96,282	\$ 2,093,394
Accounts receivable	366,987	404,044	170,397	1,443	-	-	942,871
Notes receivable, net of allowance for bad debts	-	-	-	1,345	689,203	159,215	849,763
Prepays	833	-	-	-	-	-	833
Restricted Cash	2,000	-	-	-	200	500	2,700
Total assets	<u>\$ 1,151,982</u>	<u>\$ 404,044</u>	<u>\$ 170,397</u>	<u>\$ 1,039,152</u>	<u>\$ 867,989</u>	<u>\$ 255,997</u>	<u>\$ 3,889,561</u>
LIABILITIES							
Liabilities:							
Accounts payable and accrued liabilities	43,378	404,038	170,397	-	-	-	617,813
Security deposits	2,000	-	-	1,000	200	500	3,700
Unearned revenues	327,538	-	-	-	-	-	327,538
Total liabilities	<u>372,916</u>	<u>404,038</u>	<u>170,397</u>	<u>1,000</u>	<u>200</u>	<u>500</u>	<u>949,051</u>
DEFERRED INFLOWS OF RESOURCES							
Receivables uncollected	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable							
Revolving loans	-	-	-	1,345	689,203	159,215	849,763
Prepaid items	833	-	-	-	-	-	833
Restricted							
Stabilization by State Statute	366,987	404,044	170,397	1,443	-	-	942,871
Assigned	-	-	-	1,036,364	-	96,282	1,132,646
Unassigned	411,246	(404,038)	(170,397)	(1,000)	178,586	-	14,397
Total fund balances	<u>779,066</u>	<u>6</u>	<u>-</u>	<u>1,038,152</u>	<u>867,789</u>	<u>255,497</u>	<u>2,940,510</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,151,982</u>	<u>\$ 404,044</u>	<u>\$ 170,397</u>	<u>\$ 1,039,152</u>	<u>\$ 867,989</u>	<u>\$ 255,997</u>	3,889,561

Amounts reported for governmental activities in the statement of net position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 2,940,510
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	-
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical costs	185,816
Accumulated depreciation	<u>(56,412)</u>
Deferred outflows of resources related to pensions and OPEB are not reported in the funds.	814,634
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Net pension liability	(729,437)
OPEB liability	(1,305,465)
Lease liabilities	(129,960)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds	(387,147)
Compensated absences	(45,588)
Total net position of governmental activities	<u>\$ 1,286,951</u>

Kerr Tar Council of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Fund						Total Government Fund
	General	Aging	Workforce Innovation and Opportunity Act	Revolving Loan	Cares Revolving Loan	Non-Major Funds	
REVENUES							
Charges for services	\$ 147,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 147,122
Operating grants and contributions	2,308,605	2,277,024	1,094,612	-	-	-	5,680,241
Economic development and technical asst. grant	87,746	-	-	-	-	-	87,746
Investment earnings	-	-	-	22,261	13	2,466	24,740
Loan revenues	-	-	-	-	-	9,821	9,821
Miscellaneous	31,242	-	-	-	-	-	31,242
Total revenues	2,574,715	2,277,024	1,094,612	22,261	13	12,287	5,980,912
EXPENDITURES							
EDA - planning assistance	115,078	-	-	-	-	-	115,078
Revolving loan fund administration	7,196	-	-	-	-	-	7,196
Revolving loan fund administration (CARES)	2,358	-	-	-	-	-	2,358
Regional agritourism project	3,600	-	-	-	-	-	3,600
Rural transportation planning organization	136,276	-	-	-	-	-	136,276
CFAT	12,093	-	-	-	-	-	12,093
Granville county contract	50,724	-	-	-	-	-	50,724
NCDEQ triangle	11,600	-	-	-	-	-	11,600
Land use	3,044	-	-	-	-	-	3,044
Safe routes to school	47,183	-	-	-	-	-	47,183
ARPA - Planning and administration	57,619	-	-	-	-	-	57,619
ARPA - Nutrition	56,596	-	-	-	-	-	56,596
ARPA - IIID	9,431	-	-	-	-	-	9,431
ARPA - Caregiver	18,145	-	-	-	-	-	18,145
ARPA - Ombudsman	4,494	-	-	-	-	-	4,494
ARPA - Supportive services	12,062	-	-	-	-	-	12,062
Aging - Planning and administration	215,965	-	-	-	-	-	215,965
Aging - Ombudsman	118,101	-	-	-	-	-	118,101
Aging - Elder Abuse	4,356	-	-	-	-	-	4,356
Aging - Covid 19 vaccines	17,502	-	-	-	-	-	17,502
Aging - EV based/IIID	26,253	-	-	-	-	-	26,253
Aging - AAA	48,258	-	-	-	-	-	48,258
Aging - SMP	9,951	-	-	-	-	-	9,951
Aging - Caregiver Category 1, 2, 4, 5	115,461	-	-	-	-	-	115,461
Aging - Caregiver Respite Vouchers	8,803	-	-	-	-	-	8,803
Aging - NCDOT Project	255,929	-	-	-	-	-	255,929
Aging - LCA/CRC	304	-	-	-	-	-	304
Aging - HDCS Planning and administration	13,216	-	-	-	-	-	13,216
Aging -MIPPA	23,503	-	-	-	-	-	23,503
WIOA - Prowd and prowid admin	25,469	-	-	-	-	-	25,469
WIOA Administration	136,082	-	-	-	-	-	136,082
WIOA Adult Services	161,329	-	-	-	-	-	161,329
WIOA Youth Services	137,089	-	-	-	-	-	137,089
WIOA Dislocated Workers	165,768	-	-	-	-	-	165,768
WIOA Employer Services	19,998	-	-	-	-	-	19,998
WIOA Infrastructure	4,880	-	-	-	-	-	4,880
Louisburg CDBG	5,014	-	-	-	-	-	5,014
Franklin County SFR	320	-	-	-	-	-	320
Person County SFR	40,778	-	-	-	-	-	40,778
Vance County SFR	106,987	-	-	-	-	-	106,987
Warren County SFR	3,919	-	-	-	-	-	3,919
Urgent Repair	72,084	-	-	-	-	-	72,084
Help energy	1,498	-	-	-	-	-	1,498
Bunn Zoning	28,479	-	-	-	-	-	28,479
Kerr-Tar Regional Economic Development Corporation	48,840	-	-	-	-	-	48,840
Warren County TA	21,344	-	-	-	-	-	21,344
Town of Stiem TA	24,998	-	-	-	-	-	24,998
ARPA disaster recovery	15,284	44,150	-	-	-	-	59,434
ARPA technical assistance	99,856	-	-	-	-	-	99,856
Tri-COG feeds	8,988	-	-	-	-	-	8,988
Vance County EDA grant	1,931	-	-	-	-	-	1,931
HCC Block Grant	-	2,048,856	-	-	-	-	2,048,856
Nutrition Services Incentive Program (NSIP)	-	84,900	-	-	-	-	84,900
Fans	-	3,255	-	-	-	-	3,255
Senior Center General Purpose	-	69,778	-	-	-	-	69,778
Legal	-	8,349	-	-	-	-	8,349
Aging (CARES)	-	17,730	-	-	-	-	17,730
WIOA Adult Services	-	-	402,389	-	-	-	402,389
WIOA Dislocated Workers	-	-	257,676	-	-	-	257,676
WIOA Youth Services	-	-	366,815	-	-	-	366,815
WIOA Dislocated Workers - COVID 19	-	-	33,307	-	-	-	33,307
WIOA controls and others	-	-	34,425	-	-	-	34,425
Loan repayments forwarded	-	-	-	-	2,358	9,821	12,179
Bank charges	-	-	-	15	120	-	135
Total expenditures	2,536,036	2,277,018	1,094,612	15	2,478	9,821	5,919,980
Excess (deficiency) of revenues over expenditures	38,679	6	-	22,246	(2,465)	2,466	60,932
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	7,196	-	-	-	-	-	7,196
Transfers (to) other funds	-	-	-	(7,196)	-	-	(7,196)
Total other financing sources (uses)	7,196	-	-	(7,196)	-	-	-
Net change in fund balance	45,875	6	-	15,050	(2,465)	2,466	60,932
FUND BALANCES, beginning	733,191	-	-	1,023,102	870,254	253,031	2,879,578
FUND BALANCES, ending	\$ 779,066	\$ 6	\$ -	\$ 1,038,152	\$ 867,789	\$ 255,497	\$ 2,940,510

Kerr Tar Council of Governments
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds		\$ 60,932
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Right to used leased asset capital outlay expenditures which we capatalized	-	
Amortization expense for intangible assets	(56,412)	(56,412)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
LGERS		116,293
OPEB		38,930
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Lease liabilities	-	
Principal payments on leases	56,214	56,214
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Pension expense		(210,883)
OPEB expense		(191,130)
Compensated absences		3,621
Total changes in net position of governmental activities		\$ (182,435)

The notes to the financial statements are an integral part of this statement.

Kerr Tar Council of Governments
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2023

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues	\$ 3,574,826	\$ 3,574,826	\$ 2,574,715	\$ (1,000,111)
Expenditures	3,574,826	3,574,826	2,536,036	1,038,790
Revenues over (under) expenditures	-	-	38,679	38,679
Other financing sources				
Transfers from other funds	-	-	7,196	7,196
Leased liabilities issued	-	-	-	-
Total other financing sources (uses)	-	-	7,196	7,196
Change in fund balance	\$ -	\$ -	45,875	\$ 45,875
Fund balances, beginning			733,191	
Fund balances, ending			\$ 779,066	

Kerr Tar Council of Governments
Aging Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Aging Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues	\$ 2,586,164	\$ 2,586,164	\$ 2,277,024	\$ (309,140)
Expenditures	2,586,164	2,586,164	2,277,018	309,146
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	6	<u>\$ 6</u>
Fund balances, beginning			-	
Fund balances, ending			<u>\$ 6</u>	

The notes to the financial statements are an integral part of this statement.

Kerr Tar Council of Governments
 Workforce Innovation and Opportunity Act Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2023

	Workforce Innovation and Opportunity Act Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues	\$ 1,110,000	\$ 1,110,000	\$ 1,094,612	\$ (15,388)
Expenditures	1,110,000	1,110,000	1,094,612	15,388
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning			-	
Fund balances, ending			<u>\$ -</u>	

Kerr Tar Council of Governments
 Revolving Loan Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2023

	Revolving Loan Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues	\$ 7,200	\$ 7,200	\$ 22,261	\$ 15,061
Expenditures	7,200	7,200	15	7,185
Revenues over (under) expenditures	-	-	22,246	22,246
Other financing sources				
Transfers (to) other funds	-	-	(7,196)	7,196
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	15,050	<u>\$ 15,050</u>
Fund balances, beginning			1,023,102	
Fund balances, ending			<u>\$ 1,038,152</u>	

Kerr Tar Council of Governments
 Cares Revolving Loan Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2023

	Cares Revolving Loan Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues	\$ -	\$ -	\$ 13	\$ 13
Expenditures	-	-	2,478	(2,478)
Revenue over (under) expenditures	-	-	(2,465)	(2,465)
Other financing sources				
Transfers (to) other funds	-	-	-	-
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(2,465)	<u>\$ (2,465)</u>
Fund balances, beginning			<u>870,254</u>	
Fund balances, ending			<u>\$ 867,789</u>	

NOTES TO THE FINANCIAL STATEMENTS

Kerr-Tar Regional Council of Governments
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies

The accounting policies of the Kerr-Tar Regional Council of Governments (the "Council") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Council is a public body and a body corporate and politic created under the authority of Chapter 160A of the General Statutes of North Carolina. It is a jointly governed organization with a 34-member Board of Directors. The governing bodies of each member government appoint 34 members. Three additional at large members represent the private sector. No one member government appoints a majority. The member governments, the number of Directors appointed for each and the assessments paid for the year ended June 30, 2023 are scheduled below:

	Number of Directors Appointed	Amount of Assessment Paid
Franklin	3	\$ 38,854
Bunn	1	209
Franklinton	1	1,572
Louisburg	1	1,961
Youngsville	1	1,290
Granville	5	24,203
Butner	1	5,374
Creedmoor	1	3,114
Oxford	1	5,522
Stem	1	614
Stovall	1	207
Person	3	19,816
Roxboro	1	5,206
Vance	4	17,462
Henderson	1	9,638
Kittrell	1	84
Middleburg	1	65
Warren	3	10,727
Macon	1	70
Norlina	1	589
Warrenton	1	545
	34	\$ 147,122

The accompanying financial statements present all funds of the Council and the component unit for which the Council is financially accountable. The Council's discretely presented component unit is reported in a separate column in the Council's government-wide financial statements in order to emphasize that it is legally separate from the Council.

Discretely Presented Component Unit - Region K Community Assistance Corporation (the "Corporation") is a nonprofit entity organized to augment and enhance the program and services related to aging, juvenile justice, community development, economic development, workforce development, and transportation planning and development provided by public and private agencies, including but not limited to, the Council, Franklin County, Granville County, Person County, Vance County, Warren County and the municipalities located in each of those counties. Currently, the Corporation operates the Person County Senior Center. The members of the Corporation's Board of Directors are appointed by the Council's Board of Directors and the Council has fiduciary responsibility for the Corporation. The Corporation is presented as a governmental activity. Complete financial statements for the Corporation may be obtained from the finance officer at Region K Assistance Corporation, P.O. Box 709, Henderson, North Carolina 27536.

Purpose

The Council was created for the purpose of studying regional government problems and developing regional plans on matters affecting human resources, education, housing, health, transportation, criminal justice, recreation, economic issues, natural resources, environment, open space, flood control, domestic water supplies, and assisting local governments in other matters as directed by the governing body of the Council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Council) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements display the governmental activities of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. The Council has only governmental activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including assessments are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Council's funds, including its fiduciary fund. The emphasis of fund financial statements is on the major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Council reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the Council. It is used to account for all financial resources except those "accounted for in the Revolving Loan Fund, CARES Revolving Loan Fund, Micro-Enterprise Loan Fund, Revolving Loan Fund-Green Jobs, PIVOT Loan Fund, Aging Fund, and Workforce Investment Act Fund, which are Special Revenue Funds" or required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Revolving Loan Fund: The Revolving Loan Fund was created during the year ended June 30, 1988, to account for a grant from the Economic Development Administration for economic adjustment assistance.

CARES Revolving Loan Fund: The CARES Revolving Loan Fund was created during the year ended June 30, 2021, to account for a grant from the Economic Development Administration for disaster economic-recovery.

Aging Fund: The Aging Fund was created during the year ended June 30, 1990, to account for program revenues passed through the North Carolina Department of Health and Human Services to be expended on special services to the aged.

Workforce Innovation and Opportunity Act Fund: The Workforce Innovation and Opportunity Act (WIOA) Fund was created during the year ended June 30, 2000, to account for program revenues passed through the Department of Commerce, Division of Employment and training to provide workforce investment systems that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants.

The Council also reports Other Governmental Funds, which are individually non-major, in total. The Micro-Enterprise Loan fund, Revolving Loan - Green Jobs fund, and PIVOT Loan fund are special revenue fund types. They are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Council are maintained during the year on the modified accrual basis of accounting.

Government-Wide and Fiduciary Fund Financial Statements - The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Council considers' all revenues available if they are collected within 90 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Council funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance a program. It is the Council's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Council's budget ordinances are adopted, as required by the North Carolina General Statutes, on or before July 1 for the next fiscal year. An annual budget is adopted for the General Fund and the Special Revenue Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary.

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fringe Benefits and Indirect Costs - Fringe Benefits are allocated to departments based on gross pay. Schedule 10 gives an analysis of total fringe benefits for the year.

Indirect costs are recorded as paid. These costs are detailed in Schedule A and consist mainly of administrative costs. Indirect costs are also distributed to departments based on gross pay plus fringe benefits.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the Kerr-Tar Regional Council of Governments are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Council may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Council may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Council's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Council combines cash from program awards into one operating account to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Prepaid Expenses

Certain prepayments to vendors reflect costs applicable to future accounting periods and are classified as prepaid items in both government wide and fund financial statements.

4. Accounts Receivable and Notes Receivable

The Council considers all revenues available if they are collected within 90 days subsequent to year-end. Grant revenues which are unearned at year-end are recorded as deferred and unearned revenues.

The Council provides for losses on receivables on the allowance method. The allowance method is based on experience, third-party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Note receivables within the Revolving Loan Fund and CARES Revolving Loan Fund are shown net of an allowance for uncollectible accounts of \$1,345 and \$689,203 at June 30, 2023, respectively.

5. Capital Assets

Purchased or constructed capital assets are reported at cost or estimate historical costs. Donated capital assets are recorded at their estimate fair value at the date of donation. Minimum capitalization costs are as follows: land, \$10,000; building and improvements, \$5,000; and furniture and equipment, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The Council's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Council reports a lease (only applies when the Council is the lessor) or agreements where the Council reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

Capital assets are depreciated over their estimated useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and improvements	50 years
Furniture and equipment	5-10 years
Computers	5 years

6. Unearned Revenue

Unearned revenue represents grant receipts/receivables not yet earned (not expended) and prepayments of certain other revenues.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. For the 2023 fiscal year the Council has two items that meet this criterion, pension deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has several items that meet the criterion for this category, prepaid taxes, receivable unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), leases, and pension and OPEB deferrals.

8. Compensated Absences

The vacation policy of the Council provides the accumulation of up to 30 days earned vacation leave time, with such leave being fully vested when earned. For the Council's governmentwide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. In the Council's fund financial statements, presented on the budgetary basis, annual leave expense is recorded as it is earned as required for fringe benefit cost allocation. It is added back to fund balance so as to have fund balance reported in accordance with generally accepted accounting principles.

The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Council has no further obligation for accumulated sick leave, no accrual for sick leave has been made.

9. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

10. Net Position/Fund Balances

Net Position

Net Position in the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State Statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Revolving Loans - Portion of fund balance that is not an available resource because it represents amounts that have been loaned.

Prepaid Expenses - Portion of fund balance that is not an available resource because it represents amounts that have been prepaid.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

Committed Fund Balance - Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Council's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - Portion of fund balance that the Council intends to use for specific purposes.

Unassigned Fund Balance - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Council has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Manager will use resources in the following hierarchy: bond proceeds (if applicable), federal funds, State funds, local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Manager has the authority to deviate from this policy if it is in the best interest of the Council.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS") and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Council's employer contributions are recognized when due and the Council has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Healthcare Benefits Plan (HCB) and additions to/deductions from HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Council's employer contributions are recognized when due and the Council has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of HCB. Investments are reported at fair value.

Revenues, Expenditures and Expenses

Kerr Tar institutes an annual cost allocation plan, based on estimates of the current year, in which indirect costs are pro-rated to the various grants based on an indirect rate that is determined in accordance with federal guidelines. The indirect costs shown in this report for the various grants have been adjusted to the actual amount of indirect expenditures for the year ended June 30, 2023. The rates, estimated and actual, that were used to allocate indirect costs and fringe benefits are as follows:

	Estimated	Actual
Indirect cost rate	51.16%	51.42%
Fringe benefit rate	33.66%	34.38%

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the deposits of the Council and the Corporation are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Council's or Corporation's agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council and the Corporation, these deposits are considered to be held by the Council's and Corporation's agent in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council, the Corporation, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council and the Corporation under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Corporation has no formal policy regarding custodial credit risk for deposits.

At June 30, 2023, the Council's deposits had a carrying amount of \$1,521,752 and a bank balance of \$2,040,789. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposit for the Corporation was \$445,355 and the bank balance was \$463,698. The Corporation's cash exceeded federal depository insurance by \$213,698. At June 30, 2023, the Council's petty cash fund totaled \$65.

NC G.S. 159-30.1 allows the Council to establish an Other Post Employment Benefit (OPEB) Trust to be operated in accordance with State laws and regulations. The Council on December 28, 2010, established an Irrevocable OPEB Trust. The Trust agreement specifies that any assets of the Trust are to be invested in those investments authorized by the N.C.G.S. 159-30 and no others. It is not registered with the SEC. At June 30, 2023, the Council's investment consisted of \$10,503 in a financial institution that complies with G.S. 159-30.

2. Investments

At June 30, 2023, the Council's investments consisted of \$574,277 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk - The Council does not have a formal policy to limit interest rate risk.

Credit Risk - The Council limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the Council has no formal policy on credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council has no formal policy on custodial risk.

Concentration of Credit Risk - The Council places no limit on the amount that the Council may invest in any one issuer.

3. Receivables

The amount due from other governments and other receivables that is owed to the Council at the governmentwide level at June 30, 2023 consists of the following:

	Notes	Accounts Receivable	Total
Governmental Activities:			
General	\$ -	\$ 366,987	\$ 366,987
Aging	-	404,044	404,044
WIOA	-	170,397	170,397
Revolving loan	1,345	1,443	2,788
CARES Revolving loan	689,203	-	689,203
Other non-major governmental	159,215	-	159,215
Total receivables	<u>\$ 849,763</u>	<u>\$ 942,871</u>	<u>\$ 1,792,634</u>

4. Capital Assets

The capital assets activity of the Council for the year ended June 30, 2023 was as follows:

	Beginning Balances July 1, 2022	Increases	Decreases	Ending Balances June 30, 2023
Governmental-type:				
Capital assets being depreciated:				
General equipment	\$ 18,587	\$ -	\$ -	\$ 18,587
Less accumulated depreciation for:				
General equipment	18,587	\$ -	-	18,587
Governmental-type activities capital assets, net	<u>\$ -</u>			<u>\$ -</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	<u>\$ -</u>
Total depreciation expense	<u>\$ -</u>

5. Right to Use Leased Assets

The Council has recorded two right assets to use leased assets. The assets are right to use assets for leased equipment and leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances			Ending Balances
	July 1, 2022	Increases	Decreases	June 30, 2023
Right to use assets:				
Capital assets being depreciated:				
Leased building	\$ 216,540	-	-	\$ 216,540
Leased equipment	25,688	-	-	25,688
Total right to use assets	242,228	-	-	242,228
Less accumulated depreciation for:				
Leased building	48,120	48,120	-	96,240
Leased equipment	8,292	8,292	-	16,584
Total accumulated amortization	56,412	\$ 56,412	\$ -	112,824
Governmental-type activities capital assets, net	<u>\$ 185,816</u>			<u>\$ 129,404</u>

B. Liabilities

1. Payables

Accounts payable at the government-wide level at June 30, 2023, were as follows:

Governmental activities:	
General	\$ 43,378
Aging	404,038
WIOA	170,397
Total accounts payable	<u>\$ 617,813</u>

2. Pension Plan

a. Local Governmental Employees' Retirement System

Plan Description. The Council is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2023, was 12.14% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$116,298 for the year ended June 30, 2023.

Refunds of Contributions – Council employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023 the Council reported liability of \$729,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the Council's proportion was .01293%, which was an increase of .00113% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Council recognized pension expense of \$210,883. At June 30, 2023, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,431	\$ 3,082
Changes of assumptions	72,781	-
Net difference between projected and actual earnings on pension plan investments	241,086	-
Changes in proportion and differences between Council's contributions and proportionate share of contributions	20,244	3,017
Council's contributions subsequent to the measurement date	116,298	-
Total	<u>\$ 481,840</u>	<u>\$ 6,099</u>

\$116,298 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June	
30	
2024	\$ 112,322
2025	99,802
2026	32,462
2027	114,857
Thereafter	-
	<u>\$ 359,443</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of position plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Council’s proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Council’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1 % Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Council's proportionate share of the net pension liability (asset)	\$1,316,539	\$729,437	\$245,630

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Other Post-employment Benefits

Healthcare Benefits

Plan Description - Under the terms of a Council resolution passed January 26, 1995, the Council provides plan to cover retirees of the Council who participate in the North Carolina LGERS and meet the eligibility requirements set forth below.

Eligibility Requirements (Prior to 7-1-2010)	Council of Government's Contribution
20 years or more and at least age 60 (any years in NCLGERS)	100%
20 years or more and at least 30 years in the NCLGERS (any age or retirement)	100%
15-19 years and at least age 60 (any years in NCLGERS)	75%

Eligibility Requirements (After 7-1-2010)	Council of Government's Contribution
25 years or more and at least age 60 (any years in NCLGERS)	100%
25 years or more and at least 30 years in the NCLGERS (any age or retirement)	100%

Once a retiree becomes eligible for Medicare, the Council will pay the appropriate proportion of the cost of the Medicare Supplement. Management of the HCB Plan is vested in the Council's Board of Directors.

Membership of the HCB Plan consisted of the following at June 30, 2022, the date of the last actuarial valuation:

Retirees and dependents receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	16
	24
	24

Net OPEB Liability

The Council's net OPEB liability of \$1,305,465 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions and other inputs. The net OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 of 8.41 percent, including wage inflation
Discount rate	3.65 percent
Healthcare cost trend rates	Pre-Medicare Medical and Prescription Drug initial rate 7.00% (2022); then decreasing to ultimate rate of 4.5% (2032)
	Medicare Medical and Prescription Drug initial rate 5.125% (2022); then decreasing to ultimate rate of 4.50% (2025)
Dental	3.50 percent
Vision	2.00 percent

The discount rate is based upon the Single Equivalent Interest Rate.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022	\$ 1,419,894	\$ 10,487	\$ 1,409,407
Changes for the year			
Service cost	24,669	-	24,669
Interest	49,581	-	49,581
Change of benefit terms	-	-	-
Change in assumptions	(20,537)	-	(20,537)
Differences between expected and actual experience	(118,709)	-	(118,709)
Contributions - employer	-	38,930	(38,930)
Net investment income	-	16	(16)
Benefit payments	(38,930)	(38,930)	-
Net changes	<u>(103,926)</u>	<u>16</u>	<u>(103,942)</u>
Balance at June 30, 2023	<u>\$ 1,315,968</u>	<u>\$ 10,503</u>	<u>\$ 1,305,465</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54 % to 3.65%.

Mortality rates were based on the Pub-2010 Mortality Table.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 2011 through December 2015.

Investment policy. The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Council's Board of Directors by a majority vote of its members. It is policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct assets classes. The HCB Plan aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Board's adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Money Market Savings	100%	0.10%

Rate of Return. For the year ended June 30, 2023, the annual rate of return on investments, net of investment expense, was 0.10 percent. This rate of return expresses investment performance, net of investment expense, at per annum, compounded annually.

The component of the net OPEB liability of the Council at June 30, 2023 were as follows:

Total OPEB liability	1,315,968
Plan fiduciary net position	10,503
Council's net OPEB liability	1,305,465
Plan fiduciary net position as a % of Total OPEB Liability	0.80%

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Council, as well as what the Council's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB liability	\$ 1,522,926	\$ 1,305,465	\$ 1,131,815

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Council, as well as what the Council's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trends	1% Increase
Net OPEB liability	\$ 1,122,194	\$ 1,305,465	\$ 1,537,284

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Council recognized OPEB expense of \$191,130. At June 30, 2023, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 194,252	\$ 132,891
Changes of assumptions.	138,131	248,157
Net difference between projected and actual earnings on plan investments	411	-
Total	<u>\$ 332,794</u>	<u>\$ 381,048</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date would be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of sources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2024	\$ 116,759
2025	(5,821)
2026	(82,660)
2027	(63,871)
2028	(12,661)
Thereafter	-
	<u>\$ (48,254)</u>

Contributions - The Council's Board of Directors established the contribution requirements of plan members and these may be amended by the Board of Directors. The Council is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the Board. For the current year, the Council contributed \$51,061. There were no contributions by employees. The Fund is accounted for as a Trust Fund. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. These expenditures are paid as they come due. No funds are set aside to pay benefits and administration costs unless specifically authorized by the Board of Directors. No funds were set aside for the fiscal year ended June 30, 2023.

c. Other Employment Benefits

The Council has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employee's Retirement System (Death Benefit Plan), a multiemployer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in the active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death payments are made from the Death Benefit Plan. The Council has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Council, the Council does not determine the number of eligible participants. For the fiscal year ended June 30, 2022, the Council made contributions to the State for death benefits of \$341. The Council's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .04% and 0% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

3. Long-Term Obligations

A. Summary of changes in long-term obligations for the year ended June 30, 2023

	Beginning Balance 7/1/2022	Increases	Decreases	Ending Balance 6/30/2023	Current Portion of Balance
Governmental Activities:					
Net other post-employment benefits liability	\$ 1,409,407	\$ -	\$ (103,942)	\$ 1,305,465	\$ -
Net Pension Liability (LGERS)	180,964	548,473	-	729,437	-
Lease liability	186,174	-	(56,214)	129,960	56,377
Compensated absences	49,209	63,241	(66,862)	45,588	45,588
Total governmental activities	\$ 1,825,754	\$ 611,714	\$ (227,018)	\$ 2,210,450	\$ 101,965

4. Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the Council obtains property insurance of \$417,300 per occurrence, general liability of \$2 million per occurrence, blanket crime protection of \$2 million, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$1 million up to \$2 million limit for general liability coverage, single occurrence losses of \$1 million per workers' compensation. The Council carries commercial coverage for all other risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

In accordance with G.S. 159-29, the Council's employees that have access to \$100 or more of the Council's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$200,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The Council has not purchased flood insurance since the Council is not located in a flood plain and management does not view this as a significant risk.

5. Transfers to/from Other Funds

The Council had the following transfers to/from other funds at June 30, 2023:

From the Revolving Loan Fund to the General Fund to offset administrative costs	\$	7,196
---	----	-------

6. Contingent Liabilities

The Council is the recipient of various State and federal awards for specific purposes that are subject to review and possibly final audit by the grantor agencies. Such audits could lead to requests by the grantor agencies for reimbursement of expenditures disallowed under the compliance terms of the grant. At June 30, 2023, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

7. Concentration of Risk

A material part of the Council's support is derived from grants from the North Carolina Department of Commerce - Division of Employment and Training and the North Carolina Department of Health and Human Services - Division of Aging. This support represented approximately 21% and 48% of the Council's total revenue for the year ended June 30, 2023, respectively. The loss of this revenue would have an adverse effect on the Council's ability to continue to provide its workforce investment act and aging services.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Council has received proceeds from federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally
accounting principals.

- Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement System
- Schedule of Contributions – Local Government Employees’
Retirement System
- Schedule of Changes in Total OPEB Liabilities and Related Ratios
- Schedule of Contributions - Healthcare Benefit Plan

**Kerr Tar Council of Governments
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years***

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Council's proportion of the net pension liability (asset) (%)	0.01293%	0.01180%	0.01139%	0.01169%	0.01194%	0.01234%	0.01185%	0.01413%	0.01296%	0.01500%
Council's proportion of the net pension liability (asset) (\$)	\$ 729,437	\$ 180,964	\$ 407,013	\$ 319,245	\$ 283,258	\$ 188,521	\$ 251,497	\$ 63,415	\$ (76,341)	\$ 177,191
Council's covered-employee payroll	\$ 926,271	\$ 852,419	\$ 817,049	\$ 797,610	\$ 782,346	\$ 778,154	\$ 720,938	\$ 798,461	\$ 695,848	\$ 820,628
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78.75%	21.23%	49.82%	40.03%	36.21%	24.23%	34.88%	7.94%	(10.97%)	21.59%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

**Kerr Tar Council of Governments
Council's Contributions
Required Supplementary Information
Last Ten Fiscal Years**

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 116,298	\$ 109,436	\$ 86,521	\$ 73,126	\$ 61,815	\$ 58,676	\$ 56,416	\$ 48,087	\$ 56,464	\$ 48,773
Contributions in relation to the contractually required contribution	116,298	109,436	86,521	73,126	61,815	58,676	56,416	48,087	56,464	48,773
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 923,922	\$ 926,271	\$ 852,419	\$ 817,049	\$ 797,610	\$ 782,346	\$ 778,154	\$ 720,938	\$ 798,461	\$ 695,848
Contributions as a percentage of covered-employee payroll	12.59%	11.81%	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.01%

Kerr Tar Council of Governments
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Five Fiscal Years *

	2023	2022	2021	2020	2019
Total OPEB liability					
Service cost	\$ 24,669	\$ 37,739	\$ 56,602	\$ 36,587	\$ 8,600
Interest	49,581	37,165	38,810	47,936	13,926
Changes of benefit items	-	-	-	-	-
Differences between expected and actual experience	(118,709)	5,775	(76,715)	4,937	943,786
Changes of assumptions	(20,537)	(355,722)	(4,771)	340,460	77,827
Benefit payments	(38,930)	(51,061)	(47,805)	(38,935)	(29,909)
Net change in total OPEB liability	(103,926)	(326,104)	(33,879)	390,985	1,014,230
Total OPEB liability - beginning	1,419,894	1,745,998	1,779,877	1,388,892	374,662
Total OPEB liability - ending	\$ 1,315,968	\$ 1,419,894	\$ 1,745,998	\$ 1,779,877	\$ 1,388,892
Plan fiduciary net position					
Contributions - employer	38,930	51,061	47,805	38,935	29,909
Net investment income	16	8	112	328	3
Benefit payments	(38,930)	(51,061)	(47,805)	(38,935)	(29,909)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	16	8	112	328	3
Plan fiduciary net position - beginning	10,487	10,479	10,367	10,039	10,036
Plan fiduciary net position - ending	10,503	10,487	10,479	10,367	10,039
Net OPEB liability - ending	\$ 1,305,465	\$ 1,409,407	\$ 1,735,519	\$ 1,769,510	\$ 1,378,853
Plan fiduciary net position as a percentage of the total OPEB liability	0.80%	0.74%	0.60%	0.58%	0.72%
Covered payroll	866,124	724,710	724,710	783,512	783,512
Total OPEB liability as a percentage of covered payroll	150.72%	194.48%	239.48%	225.84%	175.98%

* Plan measurement date is the reporting date. Also, the employer measurement date is the reporting date.

Notes to schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2023	3.65%
2022	3.54%
2021	2.16%
2020	2.21%
2019	3.50%

**Kerr Tar Council of Governments
Schedule of Council Contributions
Healthcare Benefit Plan
Last Five Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 112,900	\$ 112,900	\$ 121,901	\$ 121,901	\$ 48,924
Contribution in relation to the actuarially determined contributions	38,930	51,061	47,805	38,935	29,909
Contribution deficiency (excess)	<u>\$ 73,970</u>	<u>\$ 61,839</u>	<u>\$ 74,096</u>	<u>\$ 82,966</u>	<u>\$ 19,015</u>

Kerr Tar Council of Governments
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	Micro- Enterprise Loan Fund	Revolving Loan Fund - Green Jobs	PIVOT Loan Fund	Total Non-Major Governmental Fund
ASSETS				
Cash and cash equivalents	\$ 90,699	\$ 5,583	\$ -	\$ 96,282
Restricted cash	500	-	-	500
Notes receivable, net of allowance for bad debts	1,276	115,000	42,939	159,215
Total assets	<u>92,475</u>	<u>120,583</u>	<u>42,939</u>	<u>255,997</u>
LIABILITIES				
Liabilities:				
Security deposits	500	-	-	500
Total liabilities	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
DEFERRED INFLOWS OF RESOURCES				
Receivables uncollected	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable				
Notes receivable	1,276	115,000	42,939	159,215
Assigned	90,699	5,583	-	96,282
Total fund balances	<u>91,975</u>	<u>120,583</u>	<u>42,939</u>	<u>255,497</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 92,475</u>	<u>\$ 120,583</u>	<u>\$ 42,939</u>	<u>\$ 255,997</u>

Kerr Tar Council of Governments
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2023

	Micro- Enterprise Loan Fund	Revolving Loan Fund - Green Jobs	PIVOT Loan Fund	Total Non-Major Governmental Fund
REVENUES				
Interest on loans	\$ 2,466	\$ -	\$ -	\$ 2,466
Loan revenues	-	-	9,821	9,821
Loan revenues (Contra)	-	-	-	-
Total revenues	<u>2,466</u>	<u>-</u>	<u>9,821</u>	<u>12,287</u>
				-
EXPENDITURES				
Loan repayments forwarded	-	-	9,821	9,821
Total expenditures	<u>-</u>	<u>-</u>	<u>9,821</u>	<u>9,821</u>
				-
Revenues Over (Under) Expenditures	<u>2,466</u>	<u>-</u>	<u>-</u>	<u>2,466</u>
				-
Fund balances, beginning	89,509	120,583	42,939	253,031
Fund balances, ending	<u>\$ 91,975</u>	<u>\$ 120,583</u>	<u>\$ 42,939</u>	<u>\$ 255,497</u>

Kerr Tar Council of Governments
Micro-Enterprise Loan Fund
Schedule of Revenues and Expenditures
Budget and Actual - (Non-GAAP)
For the Fiscal Year Ended June 30, 2023

	2023		Variance Positive (Negative)
	Final Budget	Actual	
Revenues:			
Interest		\$ 2,466	
Loan revenues		-	
Loan revenues (contra)		-	
Total operating revenues	<u>\$ 2,466</u>	<u>2,466</u>	<u>\$ -</u>
Expenditures:			
Loan expenditures (contra)		-	
Total Expenditures	<u>2,466</u>	<u>-</u>	<u>2,466</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>2,466</u>	<u>2,466</u>
Other Financing Sources and (Uses):			
Transfer from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenses and Other Uses	<u>-</u>	<u>2,466</u>	<u>2,466</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>2,466</u>	<u>\$ 2,466</u>
Fund balance, beginning		<u>89,509</u>	
Fund balance, ending		<u>\$ 91,975</u>	

Kerr Tar Council of Governments
 Revolving Loan Fund - Green Jobs
 Schedule of Revenues and Expenditures
 Budget and Actual - (Non-GAAP)
 For the Fiscal Year Ended June 30, 2023

	2023		Variance Positive (Negative)
	Final Budget	Actual	
Revenues:			
Interest		\$ -	
Loan revenues		-	
Loan revenues (contra)		-	
Total operating revenues	\$ -	-	\$ -
Total Revenues	-	-	-
Expenditures:			
Bad debt expense		-	
Loan expenditures		-	
Loan expenditures (contra)		-	
Total Expenditures	-	-	-
Revenues Over (Under) Expenditures	-	-	-
Revenues and Other Sources Over (Under) Expenses and Other Uses	-	-	-
Appropriated Fund Balance	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		120,583	
Fund balance, ending		\$ 120,583	

Kerr Tar Council of Governments
 PIVOT Loan Fund
 Schedule of Revenues and Expenditures
 Budget and Actual - (Non-GAAP)
 For the Fiscal Year Ended June 30, 2023

	2023		Variance Positive (Negative)
	Final Budget	Actual	
Revenues:			
Loan revenues		\$ 9,821	
Total operating revenues	\$ 11,147	9,821	\$ (1,326)
Total Revenues	11,147	9,821	(1,326)
Expenditures:			
Loan repayments forwarded		9,821	
Total Expenditures	11,147	9,821	1,326
Revenues Over (Under) Expenditures	-	-	-
Revenues and Other Sources Over (Under) Expenses and Other Uses	-	-	-
Appropriated Fund Balance	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		42,939	
Fund balance, ending		\$ 42,939	

Kerr Tar Council of Governments
 Schedule of Indirect Expenses and Program Expense Allocation - General Fund
 Schedule of Revenues and Expenditures
 Budget and Actual - (Non-GAAP)
 For the Fiscal Year Ended June 30, 2023

	Indirect Expenses	Program Costs
Council - Allocable Expenses		
Salaries and benefits	\$ 293,887	\$ -
Audit	41,250	-
Legal Expenses	7,411	-
Contract Services	19,110	-
Bank Service Charges	806	-
Board Member Expenses	4,992	-
Travel	8,329	-
Training	5,945	-
Repairs & Maint Equipment	-	-
Software Costs	16,061	-
Advertising	210	-
Workmans Comp Ins	11,020	-
Property & Liability Ins	19,552	-
Dues & Subscriptions	16,653	-
Equipment	-	-
Office Supplies	-	8,788
Telephone	-	10,666
Internet	-	2,111
Postage & Meter Rental	-	4,144
VCS - Utilities	-	8,007
Printing	-	1,594
MIS Charges	-	32,891
Repairs & Maint Copier	-	6,947
VCS - Cleaning	-	7,884
VCS - Office Lease	-	48,119
Total	\$ 445,226	\$ 131,151

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, NC 28403
Telephone (910) 791-4872
Fax (910) 239-8294

**Report on Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors
Kerr-Tar Council of Governments
Henderson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kerr-Tar Council of Governments, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprises Kerr Tar Council of Governments' basic financial statements, and have issued our report thereon dated November 2, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kerr Tar Council of Governments' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kerr Tar Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of Kerr-Tar Council of Governments' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kerr Tar Council of Governments' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
November 2, 2023



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

**Report On Compliance With Requirements Applicable To Each Major Federal Program;
Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State
Single Audit Implementation Act
Independent Auditor's Report**

To the Board of Directors
Kerr-Tar Council of Governments
Henderson, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Kerr-Tar Council of Governments, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Kerr-Tar Council of Governments' major federal programs for the year ended June 30, 2023. The Kerr-Tar Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Kerr-Tar Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kerr-Tar Council of Governments and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Kerr-Tar Council of Governments' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Kerr-Tar Council of Governments' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kerr-Tar Council of Governments' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kerr-Tar Council of Governments' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kerr-Tar Council of Governments' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Kerr-Tar Council of Governments' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kerr-Tar Council of Governments' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
November 2, 2023



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Directors
Kerr-Tar Council of Governments
Henderson, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Kerr-Tar Council of Governments, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Kerr-Tar Council of Governments' major State programs for the year ended June 30, 2023. The Kerr-Tar Council of Governments' major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Kerr-Tar Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kerr-Tar Council of Governments and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Kerr-Tar Council of Governments' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Kerr-Tar Council of Governments' State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kerr-Tar Council of Governments' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kerr-Tar Council of Governments' compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kerr-Tar Council of Governments' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Kerr-Tar Council of Governments' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kerr-Tar Council of Governments' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
November 2, 2023

**Kerr-Tar Council of Governments
Henderson, North Carolina
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2023**

Section II. Financial Statement Findings

None Reported.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

**Kerr-Tar Council of Governments
Henderson, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2023**

Section II. Financial Statement Findings

None Reported.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

**Kerr-Tar Council of Governments
Henderson, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023**

None Reported.

Kerr-Tar Regional Council of Governments
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2023

Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing No.	Federal (Direct and Pass Through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards:				
<u>U.S. Department of Commerce</u>				
Passed through Economic Development Administration Direct Program				
Economic Development Support for Planning Organizations	11.302	\$ 69,047	\$ -	\$ -
CARES - Economic Adjustment Assistance (RLF)	11.307	<u>651,041</u>	<u>217,014</u>	<u>-</u>
Total U.S. Department of Commerce		<u>720,088</u>	<u>217,014</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<u>Community Planning and Development</u>				
Passed through N.C. Housing Finance Agency				
Franklin County SFR	14.239	320	-	-
Person County SFR	14.239	40,778	-	-
Vance County SFR	14.239	106,987	-	-
Warren County SFR	14.239	<u>3,919</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>152,004</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Labor</u>				
<u>Employment and Training Administration</u>				
Passed through N.C. Department of Commerce				
Division of Employment and Training				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA - Adult Program	17.258	666,419	-	436,814
WIOA - Youth Program	17.259	552,055	-	366,815
WIOA - Dislocated Worker Program	17.278	467,977	-	257,676
WIOA - Dislocated Worker COVID 19	17.277	<u>33,307</u>	<u>-</u>	<u>33,307</u>
Total Workforce Act Cluster		1,719,758	-	1,094,612
Divison of Workforce Solutions				
WIOA - First Step Act Initiative (PROWD) Program	17.270	<u>25,469</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Labor		<u>1,745,227</u>	<u>-</u>	<u>1,094,612</u>
<u>U.S. Dept. of Transportation</u>				
<u>Community Planning and Development</u>				
Passed through NC Dept. of Transportation				
Highway Planning, Research and Construction Cluster				
Rural Transportation Planning	20.205	108,560	-	-
Safe Routes to School	20.205	33,720	-	-
Granville County East Coast Greenway	20.205	<u>48,188</u>	<u>-</u>	<u>-</u>
Total Highway Planning, Research and Construction Cluster		190,468	-	-
Transit Services Program Cluster				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	<u>204,743</u>	<u>25,593</u>	<u>-</u>
Total U.S. Department of Transportation		<u>395,211</u>	<u>25,593</u>	<u>-</u>

**Kerr-Tar Regional Council of Governments
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2023**

Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing No.	Federal Direct and Pass Through Expenditures	State Expenditures	Passed-through to Subrecipients
U.S. Dept. of Health and Human Services				
Administration on Aging				
Passed through N.C. Department of Health and Human Services Division of Aging and Adult Services				
Aging Cluster				
Special Programs for the Aging - Title III B				
Ombudsman Program	93.044	91,676	5,393	-
Legal Services	93.044	8,349	-	8,349
In-Home & Access	93.044	368,931	21,702	390,633
		<u>468,956</u>	<u>27,095</u>	<u>398,982</u>
Special Programs for the Aging - Title III C				
Congregate Nutrition	93.045	234,009	13,765	247,774
Home Delivered Meals	93.045	370,464	21,792	392,256
Planning and Administration	93.045	82,934	4,549	-
		<u>687,407</u>	<u>40,106</u>	<u>640,030</u>
Special Programs for the Aging - ARPA				
Nutrition Services- Congregate	93.045	564	100	-
Nutrition Services-HD	93.045	47,333	8,353	-
Access, In Home, Supp Serv	93.044	47,745	8,426	44,150
Ombudsman	93.044	4,492	-	-
Planning and Administration	93.045	43,202	14,401	-
		<u>143,336</u>	<u>31,280</u>	<u>44,150</u>
Special Programs for the Aging - Consolidated Appropriations Act				
Emergency Home Delivered Meals	93.045	13,216	-	-
Nutrition Service Incentive Program				
Access to COVID 19 Vaccines	93.053 93.044	84,900 17,502	- -	84,900 -
Total Aging Cluster		<u>1,415,317</u>	<u>98,481</u>	<u>1,168,062</u>
Special Programs for the Aging				
Title VII - B - Elder Abuse	93.041	3,703	218	-
Preventive Health	93.043	22,322	1,313	-
Preventive Health - ARPA	93.043	9,421	-	-
Planning and Administration	93.052	47,890	2,627	-
Family Caregiver Support	93.052	133,126	8,875	17,730
Family Caregiver - ARPA	93.052	13,042	4,347	-
Title III-E Planning and Administration/Family Caregiver	93.052	31,187	1,711	-
Social Service Block Grant	93.667	154,978	4,428	159,406
CRC-LCA Local Contact Agency	93.791	614	-	-
Total Special Programs for the Aging		<u>416,283</u>	<u>23,519</u>	<u>177,136</u>
Passed through N.C. Department of Insurance				
Medicare - SMP	93.048	9,958	-	-
Medicare - MIPPA	93.071	23,503	-	-
Total N.C. Department of Insurance		<u>33,461</u>	<u>-</u>	<u>-</u>
Total U. S. Health and Human Services		<u>1,865,061</u>	<u>122,000</u>	<u>1,345,198</u>
Total Federal Assistance		<u>4,877,591</u>	<u>364,607</u>	<u>2,439,810</u>

**Kerr-Tar Regional Council of Governments
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2023**

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>Federal Direct and Pass Through Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
State Awards:				
<u>Department of Health and Human Services</u>				
Division of Aging and Adult Services				
AAA Administration	N/A	-	48,258	-
Fan Heat Relief	N/A	-	3,255	3,255
In-Home Supplemental	N/A	-	20,509	20,509
90% State funds - Access	N/A	-	34,729	34,729
90% State funds - Home delivered meals	N/A	-	48,228	48,228
90% State funds - In-Home Services	N/A	-	755,427	755,427
90% State funds - Ombudsman	N/A	-	9,225	-
75% State funds - Senior Center Development	N/A	-	69,778	69,778
Total Department of Health and Human Services		-	989,409	931,926
<u>N.C. Housing Finance Agency</u>				
Urgent Repair Program 2021		-	72,084	-
Total N.C. Housing Finance Agency		-	72,084	-
Total State Assistance		-	1,061,493	931,926
TOTAL FEDERAL AND STATE AWARDS		4,877,591	1,426,100	3,371,736

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of Kerr-Tar Regional Council of Governments under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Kerr-Tar Regional Council of Governments, it is not intended to and does not present the financial position, changes in net position, or cash flows of Kerr-Tar Regional Council of Governments.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Kerr-Tar Regional Council of Governments has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Economic Development Administration and CARES EDA

The Economic Development Administration expenditures for the CARES EDA are calculated using the following method: Balance of the principal outstanding on loans at the end of the recipient's fiscal year, plus cash and investment balance at the end of the recipient's fiscal year, plus administrative expenses paid out of income during the recipient's fiscal year, plus unpaid principal of all loans written off during the recipient's fiscal year, then multiply the sum by the federal share.

Note 5: Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Aging Cluster.